

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hillman Fire Board	County Montmorency
Audit Date 12/31/04	Opinion Date 7/1/05	Date Accountant Report Submitted to State: 12/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, LLP			
Street Address P.O. Box 308	City Mio	State MI	ZIP 48647-0308
Accountant Signature		Date 12/29/05	

**Hillman Fire Board
Montmorency County, Michigan
Financial Report
With Supplemental Information
December 31, 2004**

Hillman Fire Board

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Statement of Revenues, Expenditures and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13-19
Required Supplemental Information	
Budgetary Comparison Schedule - Special Revenue Fund	20
Supplemental Information	
General Fund	
Statement of Revenues and Other Financing Sources - Budget and Actual	21
Statement of Expenditures - Public Safety - Budget and Actual	22
Statement of Expenditures - Health and Welfare - Budget and Actual	23



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
[Hillman Fire Board](#)
Hillman, Michigan 49746

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hillman Fire Board as of and for the year ended December 31, 2004, which collectively comprise the Hillman Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hillman Fire Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Hillman Fire Board as of December 31, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Fire Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information on page 3 through page 7 and page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter LLP
Certified Public Accountants
July 1, 2005

Management's Discussion and Analysis

As management of the Hillman Fire Board (the "Fire Board"), we offer readers of the Fire Board's financial statements this narrative overview and analysis of the financial activities of the Fire Board for the year ended December 31, 2004.

Financial Highlights

- The assets of the Fire Board exceeded its liabilities at the close of the most recent fiscal year by \$589,581 (*net assets*). Of this amount, \$90,715 (*unrestricted net assets*) may be used to meet the Fire Board's ongoing obligations.
- The Fire Board's total net assets increased by \$4,647.
- As of the close of the current fiscal year, the Fire Board's general fund, the only governmental fund, reported an ending fund balance of \$90,715, a decrease of \$35,482 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$90,715 or 25% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Fire Board's basic financial statements. The Fire Board's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Fire Board's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Fire Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Board is improving or deteriorating.

The *statement of activities* presents information showing how the Fire Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Fire Board that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Fire Board consist of public safety (fire protection services) and health and welfare (ambulance services). The Fire Board does not have any business-type activities as of and for the year ended December 31, 2004.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire Board consist of one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Fire Board's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Fire Board maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Fire Board adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

Government-wide Financial Analysis

[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Government-wide data will be presented.]

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Fire Board, assets exceeded its liabilities by \$589,581 at the close of the most recent fiscal year.

A portion of the Fire Board's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Fire Board uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Fire Board's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 162,516
Capital Assets, Net	<u>505,180</u>
Total Assets	\$ <u>667,696</u>
 Current Liabilities	 \$ 75,368
Noncurrent Liabilities	<u>2,747</u>
Total Liabilities	\$ <u>78,115</u>
 Net Assets:	
Invested in Capital Assets	498,866
Unrestricted	<u>90,715</u>
 Total Net Assets	 \$ <u>589,581</u>

The Fire Board's net assets increased by \$4,647 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$35,482 or 28%, during fiscal year 2004.

Fire Board's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program Revenue:	
Charges for Services	\$ 170,636
Operating Grants and Contributions	-0-
Capital Grants and Contributions	2,000
General Revenue:	
Intergovernmental	136,695
Interest Earnings	702
Other	3,440
	<hr/>
Total Revenue	\$ 313,473
Expenses:	
Public Safety	\$ 86,803
Health and Welfare	222,023
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Total Expenses	\$ 308,826
	<hr/>
Increase in Net Assets	4,647
	<hr/>
Net Assets, Beginning of Year	584,934
	<hr/>
Net Assets, End of Year	\$ 589,581
	<hr/>

Governmental activities. The Fire Board's total governmental revenues increased by \$65,150 from last fiscal year. This was primarily attributed to an increase in intergovernmental revenue. Expenses increased by \$147,036. The increase was primarily due to increased capital outlay expenses as a result of the purchasing a new ambulance.

Financial Analysis of the Government's Funds

As noted earlier, the Fire Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Fire Board's governmental fund reported an ending fund balance of \$90,715, a decrease of \$35,482 in comparison with the prior year. The *unreserved fund balance*, which is available for spending at the Fire Board's discretion, constitutes 100% of this total amount.

The only governmental fund is the General Fund of the Fire Board. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent 25% and 25%, respectively, of total general fund expenditures.

General Fund Budgetary Highlights

The Fire Board's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. The General Fund budget was amended in a legally permissible manner during the year.

Capital Asset and Debt Administration

Capital assets. The Fire Board's investment in capital assets for its governmental activities as of December 31, 2004, amounted to \$505,180 (net of accumulated depreciation). Investment in capital assets includes land, buildings, vehicles and equipment. Additions during the year totaled \$100,383 for the year.

Fire Board's Capital Assets (net of depreciation)	
Land	\$ 5,000
Land Improvements	453
Buildings	55,914
Ambulance Equipment	136,715
Fire Equipment	306,458
Office equipment	640
	<hr/>
Total	\$ <u>254,562</u>

Additional information on the Fire Board's capital assets can be found in note 5 on page 18 of this report.

Factors Bearing on the Fire Board's Future

The following factors were considered in preparing the Fire Board's budget for the year ending December 31, 2005:

- The 2005 budget grant income of \$60,000 which requires a 10% match by the Fire Board. The grant is for the acquisition of equipment. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Fire Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hillman Fire Board
PO Box 59
Hillman, MI 49746

Basic Financial Statements

Hillman Fire Board
Statement of Net Assets
December 31, 2004

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 74,806
Receivables: (Note 4)	
Receivable-other	87,710
Receivable from other governments	-
Capital assets-net (Note 5)	<u>505,180</u>
Total assets	<u>667,696</u>
 Liabilities	
Current Liabilities	
Accounts payable	-
Accrued expenses	1,391
Deferred revenue	70,410
Capitalized lease, due within one year (Note 6)	<u>3,567</u>
Total current liabilities	<u>75,368</u>
Noncurrent Liabilities	
Capitalized lease (Note 6)	<u>2,747</u>
Total Liabilities	<u>78,115</u>
 Net Assets	
Invested in capital assets, net of related debt	498,866
Unrestricted	<u>90,715</u>
Total net assets	<u>\$ 589,581</u>

See accompanying notes

Hillman Fire Board
Statement of Activities
Year Ended December 31, 2004

Functions/Programs	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities					
Public safety	\$ 86,804	\$ 3,000	\$ -	\$ 2,000	\$ (81,804)
Health and Welfare	222,023	167,636	-	-	(54,387)
Total governmental activities	<u>\$ 308,826</u>	<u>\$ 170,636</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>(136,190)</u>
General Revenues:					
Intergovernmental					136,695
Interest earnings					702
Other					<u>3,440</u>
Total general revenues					<u>140,837</u>
Change in Net Assets					4,647
Net assets - beginning of year					<u>584,934</u>
Net assets - end of year					<u>\$ 589,581</u>

See accompanying notes

Hillman Fire Board
Governmental Funds
Balance Sheet
December 31, 2004

	General Fund
Assets	
Cash and investments	\$ 74,806
Receivables:	
Receivables - Ambulance patients	87,710
Receivable from other governmental units	-
Total assets	<u>\$ 162,516</u>
Liabilities	
Accounts payable	\$ -
Accrued expenses	1,391
Deferred revenue	70,410
Total liabilities	<u>71,801</u>
Fund balances	
Unreserved:	
General Fund	<u>90,715</u>
Total fund balances	<u>90,715</u>
 Total liabilities and fund balances	 <u>\$ 162,516</u>
 Fund Balances - Total Governmental Funds	 \$ 90,715
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	\$ 1,023,614
Accumulated depreciation is	<u>(518,434)</u>
	505,180
 Long term liabilities are not due and payable in the current period and are not reported in the fund statements	
Capitalized lease	(6,314)
 Net Assets of Governmental Activities	 <u><u>\$ 589,581</u></u>

See accompanying notes

Hillman Fire Board
Governmental Funds
Statement of Revenues and Other Financing Sources,
Expenditures and Changes in Fund Balances
Year Ended December 31, 2004

	General Fund
Revenues	
Intergovernmental	\$ 136,695
Charges for services	170,636
Interest earnings	702
Other	5,440
Total revenues	<u>313,473</u>
Expenditures	
Current:	
Public safety	55,125
Health and welfare	199,716
Capital outlay	100,383
Debt service	626
Total expenditures	<u>355,850</u>
Excess of revenues over (under) expenditures	(42,377)
Other financing sources	
Capitalized lease proceeds	<u>6,895</u>
Net changes in fund balances	(35,482)
Fund balances - Beginning of year	<u>126,197</u>
Fund balances - End of year	<u><u>\$ 90,715</u></u>

See accompanying notes

Hillman Fire Board
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	(35,482)
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(53,940)	
Capital Outlay		<u>100,383</u>	46,443

Proceeds from capitalized leases is income in the governmental funds, but not in the statement of activities (where it increases long term debt)		(6,895)
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Repayments of capitalized lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)		<u>581</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>4,647</u></u>
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See accompanying notes

Hillman Fire Board
Notes to Financial Statements
December 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Hillman Fire Board ("the Fire Board") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Fire Board:

Reporting Entity

The Hillman Fire Board is a joint area Fire Board that provides both Fire and Ambulance services. The Board serves four governmental units - Rust Township, Hillman Township, Montmorency Township and the Village of Hillman..

The Fire Board consists of nine members. Representation is as follows: Montmorency Township - 3 members, Hillman Township - 3 members, Rust Township - 2 members, Village of Hillman - 1 member.

The pro-rata share of financing costs as provided by the by the interlocal agreement is based on the state equalized valuation (per the Montmorency County Equalization Department) of each unit and the current population (per the Montmorency County Clerk).

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Fire Board's reporting entity, and which organizations are legally separate, component units of the Fire Board. Based on the application criteria, the Fire Board does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Fire Board. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Board's government-wide activities are considered governmental activities. The Fire Board does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Annual contributions from member units and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Fire Board.

The Fire Board reports the following major governmental fund:

The General Fund is the Fire Board's primary operating fund. It accounts for all financial resources of the Fire Board, except those required to be accounted for in another fund.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. General revenue includes interest earnings and other revenues.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - All trade receivables are shown net of an allowance for uncollectible amounts, if any.

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Fire Board as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Hillman Fire Board
Notes to Financial Statements
December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, machinery and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and additions	50 years
Machinery and equipment	8 -15 years
Office equipment	5 - 10 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no Fire Board employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Fire Board has not designated any fund equity as of December 31, 2004.

Comparative Data/Reclassifications - Comparative data is not included in the Fire Board's financial statements.

Accounting Change - Effective January 1, 2004, the Fire Board implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Changes to the Fire Board's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Fire Board's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Fire Board's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets total \$505,180. The Fire Board did not previously maintain a General Fixed Asset Account Group.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state laws for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function/ The legal level of budgetary control

Hillman Fire Board
Notes to Financial Statements
December 31, 2004

Note 2 - Stewardship, Compliance and Accountability - continued

adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the line item level. State law requires the Fire Board adopt its budget by January 1. The budget was also approved by the member units of governments as required by the joint operating agreement. State law permits the Fire Board to amend its budget during the year. During the year, the budget was amended in a legally permissible manner.

A new joint fire board agreement was approved by the participating units on May 20, 2002. The agreement provides financial support as follows: Rust Township, Montmorency Township, and the Village of Hillman's support is based 50% on the last finalized State Equalized Value (SEV) and 50% on current population. Hillman Township's support is based 50% on the last finalized SEV, (including the Village of Hillman's SEV), and 50% on the current population, minus the Village of Hillman's population. The SEV amounts are obtained from the Montmorency County Equalization Department and the population amounts are obtained from the Montmorency County Clerk.

Excess of expenditures over appropriations in the General Fund are as follows:

General Fund:	Appropriation	Expenditure	Variance
Public Safety: Medicare & social security	\$ 100	\$ 306	\$ 206
Vehicle repairs	4,000	8,726	8,726
Debt service	-	626	626
Health and Welfare: Bad debts	-	28,161	28,161
Community training center	1,500	3,945	2,445
Capital outlay	4,881	88,566	83,685

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Fire Board to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Fire Board is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Fire Board has designated two financial institutions for the deposit of Fire Board funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Hillman Fire Board's deposits and investment policy are in accordance with statutory authority.

Hillman Fire Board
Notes to Financial Statements
December 31, 2004

Note 3 - Deposits and Investments - continued

At year end, the Hillman Fire Board's deposits and investments were reported in the basic financial statements in the following categories:

	Carrying Amounts
Cash and cash equivalents	\$ 74,806
Total	\$ <u>74,806</u>

The breakdown between deposits and investments for the Fire Board is as follows:

Deposits (Checking and savings accounts)	\$ 74,806
Certificates of deposit	-
	\$ <u>74,806</u>

The deposits of the Fire Board were reflected in the accounts of two financial institutions, of which \$74,806 is covered by federal depository insurance.

Note 4 - Receivables

Receivables as of year-end for the Fire Board's major fund, including applicable allowances for uncollectible accounts, are as follows:

	General Fund
Receivables:	
Ambulance patient services	\$ 87,710
Other governmental units	-
	\$ <u>87,710</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Accounts Receivable		
Deferred revenue portion	\$ -	\$ 70,410
Total deferred revenue	\$ <u>0</u>	\$ <u>70,410</u>

Hillman Fire Board
Notes to Financial Statements
December 31, 2004

Note 5 - Capital Assets

Capital assets activity of the Fire Board's Governmental activities were as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2005
Capital assets not depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Land Improvements	1,577			1,577
Buildings	124,640	5,844	-	130,484
Ambulance Equipment	191,361	85,644	-	277,005
Fire Equipment	597,412	8,895	-	606,307
Office equipment	3,241	-	-	3,241
Subtotal	<u>923,231</u>	<u>100,383</u>	<u>-</u>	<u>1,023,614</u>
Accumulated Depreciation				
Land Improvements	1,045	79	-	1,124
Buildings	71,163	3,407	-	74,570
Ambulance Equipment	119,991	20,299	-	140,290
Fire Equipment	270,223	29,626	-	299,849
Office equipment	2,072	529	-	2,601
Subtotal	<u>464,494</u>	<u>53,940</u>	<u>-</u>	<u>518,434</u>
Net capital assets being depreciated	<u>458,737</u>	<u>46,443</u>	<u>-</u>	<u>505,180</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 458,737</u>	<u>\$ 46,443</u>	<u>\$ -</u>	<u>\$ 505,180</u>

Depreciation expense was charged to programs of the Fire Board as follows:

Governmental activities:	
Public safety	\$ 31,634
Health and Welfare	<u>22,307</u>
Total governmental activities	<u>\$ 53,940</u>

Hillman Fire Board
Notes to Financial Statements
December 31, 2004

Note 6 - Long Term Debt

The Fire Board entered into a capitalized lease for the purchase of fire equipment on November 4, 2004. The original amount of the lease was \$6,895. The required monthly payments of \$313 commenced on December 4, 2004 and conclude on October 4, 2006. The interest rate is 3.99%.

Long term debt activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities:				
Capitalized lease	\$ -	\$ 6,314	\$ 6,314	\$ 3,567
Total	\$ -	\$ 6,314	\$ 6,314	\$ 3,567

Note 7 - Risk Management

The Hillman Fire Board is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Joint Venture

The Fire Board is a participant in a joint venture agreement with the City of Onaway, the Townships of Allis, Bearinger, Case, Forest, North Allis, Ocqueoc, and Waverly and the Village of Millersburg for providing ambulance service. The Onaway Area Ambulance Service operates under an inter-local agreement. Each of the nine units of government appoint one member to serve on the Board of Directors.

The Fire Board has a 1/9th interest in the assets and is liable for 1/9th of the liabilities. OAAS' financial statements are audited and included in the City of Onaway's financial statements. The most recent audited financial statements cover the year ended March 31, 2004. The Fire Board's 1/9th share of assets (which consisted of cash, accounts receivable, investments, and capital assets net of depreciation) was \$60,525. The Fire Board's 1/9th share of liabilities (which consisted of accounts payable, accrued wages and short term debt) was \$1,706. The Fire Board's 1/9th share of net assets was \$58,818.

On March 1, 1996 the OAAS entered into a land contract for the purchase of a building to house the ambulances. The total amount of the contract is \$103,107 with the Hillman Fire Board's 1/9th share being \$11,456. The land contract calls for monthly payments of \$1,132 commencing April 1, 1996 and an interest rate of 5.75% per annum. It is anticipated that the land contract payments will be made from the operating revenue of OAAS and additional subsidies from the board units will not be necessary. The land contract will be paid in full during the calendar year 2005.

Financial statements of the joint venture may be obtained through the Onaway Area Ambulance Service at P.O. Box 454, Onaway, MI 49765.

Required Supplemental Information

Hillman Fire Board
 Budgetary Comparison Schedule - Special Revenue Fund
 Year Ended December 31, 2004

	Budgeted Amounts			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Fund Balance - Beginning of year	\$ 156,045	\$ 156,045	\$ 126,197	\$ (29,848)
Resources (Inflows)				
Intergovernmental	127,575	127,575	136,695	9,120
Charges for services	123,850	123,850	170,636	46,786
Interest earnings	1,000	1,000	702	(298)
Other	2,000	2,000	5,440	3,440
Capitalized lease proceeds	-	-	6,895	6,895
Amounts available for appropriation	<u>254,425</u>	<u>254,425</u>	<u>320,368</u>	<u>65,943</u>
Charges to Appropriations (Outflows)				
Current				
Public Safety	59,200	59,200	55,125	(4,075)
Health and Welfare	<u>177,725</u>	<u>188,844</u>	<u>199,716</u>	<u>10,872</u>
Total	<u>236,925</u>	<u>248,044</u>	<u>254,841</u>	<u>6,797</u>
Capital Outlay	11,500	18,381	100,383	82,002
Debt Service	-	-	626	626
Total charges to appropriations	<u>248,425</u>	<u>266,425</u>	<u>355,850</u>	<u>96,222</u>
Fund Balance - end of year	\$ <u>162,045</u>	\$ <u>144,045</u>	\$ <u>90,715</u>	\$ <u>(60,127)</u>

Supplemental Information

Hillman Fire Board
General Fund
Detail of Revenues and Other Financing Sources - Budget and Actual
Year Ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental:			
Townships	\$ 110,812	\$ 118,734	\$ 7,922
Village	16,763	17,961	1,198
Total intergovernmental	<u>127,575</u>	<u>136,695</u>	<u>9,120</u>
Charges for services	123,850	170,636	46,786
Interest	1,000	702	(298)
Other	<u>2,000</u>	<u>5,440</u>	<u>3,440</u>
Total Revenues	254,425	313,473	59,048
Other Financing Sources			
Capitalized lease proceeds	<u>-</u>	<u>6,895</u>	<u>6,895</u>
Total Revenues and Other Financing Sources	\$ <u><u>254,425</u></u>	\$ <u><u>320,368</u></u>	\$ <u><u>65,943</u></u>

Hillman Fire Board
General Fund
Public Safety
Detail of Expenditures - Budget and Actual
Year Ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Current:			
Public Safety:			
Chief's wages	\$ 4,000	\$ 4,000	\$ -
Workmen's compensation	1,200	650	550
Office supplies	700	397	303
Gas and oil	1,004	1,004	-
Audit	100	-	100
Legal	456	-	456
Snow plowing	540	540	-
Telephone	1,500	958	542
Training and travel	4,000	1,098	2,902
Physicals and vaccines	200	-	200
Medicare & social security	100	306	(206)
Insurance	12,000	11,107	893
Utilities	1,500	1,481	19
Heating	2,000	1,728	272
Sanitation	250	150	100
Building repairs	2,000	1,688	312
Communication repairs	1,500	1,259	241
Vehicle repairs	4,000	8,726	(4,726)
Equipment repairs	750	445	305
Food expense	300	86	214
Membership dues	100	-	100
Equipment (non capitalized)	8,000	7,884	116
Safety	1,000	-	1,000
Contracted services - firemen	12,000	11,618	382
Total Public Safety	<u>59,200</u>	<u>55,125</u>	<u>4,075</u>
Capital Outlay	<u>13,500</u>	<u>11,817</u>	<u>1,683</u>
Debt Service			
Principal	-	581	(581)
Interest	-	45	(45)
Total Debt Service	<u>-</u>	<u>626</u>	<u>(626)</u>
	<u>\$ 72,700</u>	<u>\$ 68,194</u>	<u>\$ 5,132</u>

Hillman Fire Board
General Fund
Health and Welfare
Detail of Expenditures - Budget and Actual
Year Ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Current:			
Health and Welfare:			
Manager's wages	\$ 28,125	\$ 27,897	\$ 228
Attendant's wages	28,574	28,574	-
Training coordinator wage	4,000	4,000	-
Workmen's compensation	1,500	650	850
Office supplies	1,500	1,337	163
Bad debts	-	28,161	(28,161)
Collection expenses	500	-	500
Medical supplies	6,199	6,199	-
Accumulated billing service	10,000	9,842	158
ALS services	33,850	33,850	-
Community training center	1,500	3,945	(2,445)
Gas and oil	3,000	2,604	396
Secretary wages	600	600	-
Treasurer wages	1,200	1,200	-
Bookkeeping service	100	-	100
Per diem meetings	1,500	945	555
Audit	100	-	100
Legal	500	-	500
Snow plowing	540	540	-
Social security & medicare	7,000	5,093	1,907
Telephone	1,706	1,706	-
Training and travel	6,900	6,639	261
Physicals and vaccines	500	407	93
Insurance	15,000	14,537	463
Utilities	1,500	1,481	19
Heating	2,000	1,728	272
Sanitation	250	150	100
Building repairs	2,000	1,664	336
Communication repairs	1,000	529	471
Vehicle repairs	10,750	750	10,000
Equipment repairs	750	78	672
Onaway - contracted services	8,500	8,180	320
Memberships and dues	100	100	-
Licenses	1,000	385	615
Contracted services - firemen	500	86	414
Equipment (non capitalized)	6,000	5,859	141
Safety	100	-	100
Total Health and Welfare	<u>188,844</u>	<u>199,716</u>	<u>(10,872)</u>
Capital Outlay	<u>4,881</u>	<u>88,566</u>	<u>(83,685)</u>
	<u>\$ 193,725</u>	<u>\$ 288,282</u>	<u>\$ (94,557)</u>